

Senator Fonfara, Representative Widlitz, Ranking Members, and members of Finance, Revenue and Bonding Committee:

My name is Bill Buhler, I am a resident of Cromwell and I am here to oppose the severe cuts in the Governor's budget and to support important alternative sources of revenue that are missing from SB 843. I think the cuts are unnecessary, morally offensive and counterproductive for this economy, and we could avoid many of the cuts if we were to implement revenue proposals put forward by the Better Choices for Connecticut coalition.

I want to highlight two potential sources of revenue:

- 1) We should ask people making over \$1 million per year to chip in a bit more. We can do that and still keep our rates below New York's.
- 2) We should close the loophole that allows large corporations to avoid paying taxes by shifting profits earned in CT to subsidiaries in other states. CT should require combined reporting of corporate incomes, something which 22 states already do.

Let me explain why spending cuts now are bad for the economy. For over 3 decades, middle and low income families have seen their disposable income disappear. Normally their spending accounts for 70% of business activity, so when they can't spend the consumer economy goes into a slump, which is what we are trying to work our way out of now. During such fragile recovery periods government spending cuts produce a job-killing ripple effect through the state, so this is not a good time to cut spending. As pointed out by economist John Maynard Keynes, "The boom, not the slump is the right time for austerity." Several European countries have been ignoring this rule and have seen steep job losses and mass protests. If these cuts to go into effect on top of the sequestration cuts, the economic contraction effect will be huge.

It's important to note that Connecticut's lack of revenue is not rooted in excessive spending. Over the last 30 years, revenue as a share of personal income has fallen within the lowest 10 states as a share of total state personal income.* Government spending has been modest for decades.

When I think about cuts that could make health care unaffordable for over 20,000 adults, I don't see how they can be justified at the same time when large corporations are allowed to avoid taxes with accounting tricks. During the last 20 years, state revenues from corporate business taxes fell 73% as a share of personal income. That is due to expanded loopholes and tax avoidance maneuvers by some of the biggest US corporations such as GE and Travelers** In 2012, this cost Connecticut taxpayers 904 million dollars in lost revenue.

Second, I want someone to explain to me how cuts to families struggling with the recession can be on the table when those with skyrocketing incomes have not been asked to pay their fair share of taxes? We have heard that a tax increase on millionaires would make them leave the state, but that assumption was put to rest by a nonpartisan Congressional Research Service study completed last September.*** Another false justification was the claim that millionaires deserve tax breaks because they are the "job creators." Nobody believes that anymore because they haven't created jobs. And jobs won't be created until Connecticut's families have the spending money to raise demand.

What are our chances for shared prosperity if we continue allowing corporations to avoid taxes and keep giving unnecessary tax breaks to those with runaway incomes? Instead of considering job-killing spending cuts, Connecticut should be making more investments that create jobs, paid for with new revenue from corporations and the most affluent.

* Public Investment for a Mediocre Future: Where Connecticut Stands on State and Local Revenues, Shelley Geballe, JD. MPH, Connecticut Voices for Children, June, 2008.

** Budget Trends Report Challenges Some Conventional Assumptions, Connecticut Voices for Children, January 12, 2011.

***Tax Flight is a Myth: Higher Taxes Bring More Revenue, Not More Migration, Robert Tannenwald, Jon Shure and Nicholas Johnson, Center on Budget and Policy Priorities, August 4, 2011.